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Louisiana AG Opens Criminal Bitcoin Mining Probe into IT Department, Sources Say

State Attorney General Jeff Landry has reportedly been looking into whether several fired IT staffers within his office used state resources to mine cryptocurrency.

BY JIM MUSTIAN, THE ADVOCATE / FEBRUARY 27, 2018



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(TNS) — Louisiana Attorney General Jeff Landry has opened a criminal investigation into his own office's information technology section, including its recently ousted director, amid allegations that former staffers tapped state resources to "mine" the cryptocurrency bitcoin, according to current and former law enforcement officials.

Landry's office refused for months to acknowledge the inquiry and a major shakeup of its IT division — including the firing of a half-dozen employees in September — but confirmed this week that the matter remains under investigation.

No charges have been filed. But Landry's Louisiana Bureau of Investigation questioned the staffers after authorities discovered hardware that they believed could have been used in the so-called mining of bitcoin — a practice that requires an enormous amount of electricity and sophisticated computers — according to several sources familiar with the investigation.

It's unclear exactly what equipment prompted the concerns, but the staffers maintained it was not being used for personal gain.

"We were worried that the (computer) systems may have been compromised," said one law enforcement official, speaking on the condition of anonymity because he was not authorized to discuss the ongoing investigation.

The IT section also has attracted federal attention in recent months. The FBI last year questioned the section's former director at his Gonzales home, according to two people familiar with the interview. You may also like

The bureau apparently inquired about IT staffers having discussed, via email, a "logic bomb" — a conversation that alarmed state officials. A logic bomb is a line of code that triggers malicious activity in a computer system after a certain amount of time elapses, or after some other condition is met.

It's unclear whether authorities actually discovered any malware in the state's systems, and the former IT director told the feds he had no knowledge of a logic bomb being introduced. Two former Attorney General's Office employees told The Advocate that the term "logic bomb" appeared in an email exchange that was discovered by state investigators.

The FBI declined to comment Friday.

Three of the fired staffers — at least one of whom has retained a criminal defense attorney — denied wrongdoing in interviews with The Advocate, attributing their terminations to a misunderstanding by the Attorney General's Office. They spoke on the condition that their names not be published because they have found new employment and have not been charged.

One of the former employees said she was fired without any explanation in mid-September, around the time the suspicious equipment came to the attention of investigators. Employees of the Attorney General's Office are considered unclassified under state law and "do not have appeals rights," said Lindsay Ruiz de Chavez, a spokeswoman for the state Civil Service system.

Like Louisiana sheriffs, Landry is not required by law to show cause for terminating an employee. The fired staffers said they felt particularly prone to termination because they had all worked under the administration of Landry's predecessor, Buddy Caldwell.

Landry declined to be interviewed for this article. A spokesman, Millard Mule, declined to answer questions about the inquiry. "This is an ongoing investigation," he said.

The Advocate first contacted Landry's office in October seeking information about the terminations in the IT section. Ruth Wisher, a Landry spokeswoman, said at the time that she could neither "confirm nor deny the existence of an investigation." She would not say how many employees had been fired.
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In December, in response to a public records request, the Attorney General's Office released several dozen pages of personnel records reflecting four months of agency turnover — records that revealed that five employees who worked with the IT division had been fired over a two-day period in September.

The records contained no mention of the bitcoin investigation, just standard termination letters informing the staffers their "services are no longer required at the Louisiana Department of Justice."

The firings gutted the agency's information technology section, which is tasked with analyzing and acquiring computer equipment and handling a host of technology needs across the agency. The section also trains Attorney General's Office employees in the use of hardware and software.

Among the terminated employees were a systems administrator, a help desk manager, a litigation support coordinator and a human resources employee who worked closely with the IT division.

The director of the IT division resigned Sept. 1 but was fired less than two weeks later, before his resignation became effective, the records show.

"What was the purpose of me signing the voluntary resignation if you all were going to change it to termination?" he wrote in an email to a human resources official.

At least two of the fired employees are privately engaged in the "mining" of cryptocurrencies, of which bitcoin is the most lucrative. A digital form of money, bitcoin utilizes a ledger — called a blockchain — that's accessible around the world via a decentralized network and that facilitates transactions without the need for a bank.

"Miners" use special software to solve complicated cryptographic problems and thereby add recent transactions to the blockchain, receiving newly minted bitcoin in exchange for their efforts. While it remains volatile, bitcoin has exploded in value in the last year, creating a cottage industry of miners looking to cash in on the price spike.

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The fired Attorney General's Office employees said they could not have used agency computers to mine for cryptocurrency even if they had wanted to because the machines lack the capability. In addition, they said, such activity would have easily been detected due to the massive amount of electricity needed to power the computational processes.

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